SILVER VINDICATED

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SILVER VINDICATED.

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CONTENTS.

PAGE

I.

The Silver Crisis 5

II.

The Indian Exchange 8

III.

The Sufferings 10

IV.

Inaction 13

V.

The Expedients 15

VI.

The Only Remedy—Universal Bi-Metallism . . . 17

VII.

Objections 19

VIII.

Irrevocability of the 15½ 24

SILVER VINDICATED.

I.

THE SILVER CRISIS.

Up to the promulgation of the German Law of the 4th December 1871, against silver, the production of that metal in the whole world had amounted for about ten years to £10,000,000 sterling per annum. Since 1872 it has amounted on the average to £13,700,000 (depreciation not deducted). The increase is thus £3,700,000, and this is the extent of that immense excess of production so much talked of.

Since 1872 the annual production of gold has been £19,000,000 a year; it is therefore more by one-third than the production of silver.

In view of these figures, it is altogether impossible even for those who have been so much afraid of the fertility of silver mines to attribute the depreciation of silver to natural causes—it is wholly and exclusively due to the action of legislators.

The production of gold, which was £6,000,000 a year up to 1850, rose to £36,000,000 in 1852, yet gold was never depreciated relatively to silver. Up to 1830 the annual production of silver was thrice that of gold in value; after 1850 the fact was just the reverse, the annual production of gold becoming thrice that of silver in value; yet gold and silver never altered in relative value. The reason is that France was then bi-metallic, and that, through her, entire Europe was, indirectly at least, in the enjoyment of bi-metallism. England coined only gold, but she drew silver from France, or sent it thither in exchange for gold at the fixed rate of 15½. Germany coined only silver, but she drew gold from France, and sent it thither in exchange for silver at the fixed rate of 15½.

France being a market at the fixed rate of 15½ —a market always open to all nations—the 15½ was enforced on every nation. Neither in England nor

in America, neither at Constantinople nor at Calcutta, were people willing to give more than 15½ of silver for 1 of gold, nor more than 1 of gold for 15½ of silver. The legal rate of France was the regulating rate of the whole world. It was in this manner that the relative value of gold and silver always remained stationary in the world—so stationary indeed, that in English statistics the quantity of silver could always be expressed in gold sovereigns. A gold sovereign always represented a fixed weight of silver.

Now, however, the old bi-metallic constitution is no longer at work in Europe. The German law, which put a stop to the coinage of silver in all the States of the Empire, placed Holland, then France, and all the continent, under the necessity of entirely suspending the fabrication of silver money. France now coins gold alone. Europe is making a mono-metallic experiment. Here is the sole cause of depreciation of silver. Nowhere does the law any longer link the value of silver with the value of gold, hence the reason why the value of silver will no longer have any fixity.

II.

THE INDIAN EXCHANGE.

BETWEEN two countries having the same metal as money, bills of exchange never cost more than the transport and coinage of the metal would do. Thus, the exchange on Paris can never fall lower in London than 25 francs, for this limit passed there would be no advantage in bills of exchange, it would be cheaper to send sovereigns to the Paris Mint.

The case was just the same between India and England as long as in Europe bi-metallic francs were coined. The value of the rupee in relation to sovereigns did not then run very great risk, for, at worst, people could get rupees sent to Europe, have them coined in francs, and with those francs obtain at Paris either bills on London or gold at the rate of $15\frac{1}{2}$.

This possibility of despatching rupees to be converted into European money always sufficed to keep the Indian rate of exchange within the limits of the cost of transport and coinage of the metal.

If the German Law of 1871 against silver had not come into being, Europe would still coin silver; that metal would be still common money between Europeans and Asiatics; the Anglo-Indian exchange, thanks to French bi-metallism, would still be at its old level, and the Indian Council would dispose of its bills without incurring any loss.

It is not the sale of bills on India which has made silver fall, it is the fall of silver caused by laws of proscription which has lowered the value of the bills.

Whether Indian commerce was more or less prosperous, whether the quantity of merchandise imported from India into Europe and from Europe into India was more or less considerable, whether India absorbed more or less silver, all this would in no way have affected the Anglo-Indian Exchange had not the old monetary system of the world been overturned by the mono-metallic revolution which broke out in Germany.

III.

THE SUFFERINGS.

NOTWITHSTANDING the crusade in favour of gold alone the old mass of coined silver is still in circulation; but the value of this silver is now only nominal, and Governments cannot melt it down without incurring enormous loss. Such is the situation on the Continent.

Instead of producing £15,000,000 sterling as formerly, the 150,000,000 of rupees sold every year by the Indian Council in London in bills on India produce only £12,000,000, and it will be worse hereafter. The Indian Budget is disarranged, public works are countermanded, and all administrative and financial policy in India has no longer but one aim: to recover by no matter what reduction of expenditure what is lost by the fall in exchange. Never was so paltry a programme imposed on a great

government. The English merchandise sold in Asia and South America is paid for in silver, that is, in the metal the coinage of which in Europe is at present prohibited, and with which gold can no longer be procured at a fixed rate of exchange. To the risk incurred by the merchandise, is added the risk which will be incurred by the payments.

It is no longer possible for English capital to undertake anything in India. The rupees to be gained are of too uncertain and precarious a value.

The purchasing power of the rupee is not yet impaired in India, but it will be so by the continuous importation of silver. The ruin of the rupee will be the ruin of many; and who will persuade the Hindoos that the English law cannot if it chooses ward off the blow struck by the German law?

For the United States to resume specie payments it is necessary for them to re-habilitate silver, give the silver dollar the same value as the gold dollar, then accept silver at the custom-houses, and be able to pay their European bondholders in silver dollars. To enable this plan however to be adopted, it is first of all necessary to be sure that Europe will become bi-metallic. Without this, European credi-

tors receiving silver dollars inconvertible into European money would undergo too serious losses. The demonetisation of silver in Europe is an obstacle therefore to the resumption of specie payments in the United States, and they have still such difficulties to overcome in order to emancipate themselves from paper-money, that they cannot dream of taking at the same time, as France took, the bi-metallic direction of the world.

As regards the States of South America, it is evident that they will be unable either to pay their debts in Europe or to buy European merchandise if the silver yielded by their mines is not a legal tender in the old world. Pernicious in Europe, pernicious in Asia, pernicious in America, the mono-metallic scheme has produced and can produce nothing but disaster.

IV.

INACTION.

HAVING only gold money at home, Englishmen have a certain disposition to speak of silver as they speak of cotton or iron, sugar or coal. Silver is being depreciated—what matters it? To-day a fall—to-morrow a rise. Natural laws must be left to act; they will bring back fine weather, and we must trust to the energy of commercial interests, it will restore the equilibrium.

Yes, if silver had only been simple merchandise this reasoning would be plausible; but silver was more than simple merchandise, it was a legal tender. All the new silver was entitled by law to be worth, and was worth, as much as the silver formerly coined; it will be no use waiting years and years, silver will never recover the value which it possessed when it was a legal tender in Europe. Bound up

with gold by the French 15½, the value of silver was as stable as that of gold; it will henceforth be as unstable as that of copper.

Inaction will only aggravate the evil, and the only effective action in this matter is that of legislation. Bad laws have been passed; let there be good ones. *Lex abstulit, lex dabit.*

V.

THE EXPEDIENTS.

"*Introduce into India gold mono-metallism.*" Impossible for the German Empire, the expulsion of silver and the substitution of gold are still more impossible in the Indian Empire.

"*Increase the Indian Taxes,*" or increase the weight of the rupee, which comes to the same thing. If silver had only fallen in value to a certain point and stopped there, one might to some extent understand this proposal, but the value of silver has become and will always remain variable. Will the amount of taxes or the weight of the rupee have to be modified according to the changes in the value of silver? Can the Hindoos be told "you shall pay us as annual taxation as many rupees as it will be necessary to sell in order to buy every year 15,000,000 gold sovereigns?" No, the plan is as impolitic as it is impracticable.

"*Coin no more rupees.*" Certainly, if England is quite resolved to endure anything rather than act, those entrusted with the Indian Administration may think themselves entitled to follow the example of Holland and France, which have ceased to fabricate silver money. But what consequences would follow? What will the ingot be worth when already rejected by Europe, it will be also rejected by the Mints of Calcutta and Bombay? What will be the worth of that enormous mass of silver ornaments worn by the Hindoos when the conversion of them into rupees will be prohibited? The depreciation of silver will no longer have hardly any limits, and all the rupees formerly coined will be, as it were, converted into bronze, so greatly will be reduced their value on being melted down. Is this the dream of the mono-metallists—to decree the demonetisation of silver, and then to see it circulate for ever on the footing of a metallic assignat?

The monetary mechanism of the world has been broken down; we are in full cataclysm. Neither India nor any State can defend itself singly; either all the States will be rescued by means of a general understanding, or none will be so.

VI.

THE ONLY REMEDY: UNIVERSAL BI-METALLISM.

If all the monetary laws passed in Europe since 1871 were repealed it is beyond doubt that silver would recover its value, that the Indian Exchange would return to its old level, that the £15,000,000 of Indian bills would be sold without loss. But it is not possible to re-construct the past just as it was. Germany cannot re-sell gold to become again silver monometallic, and France cannot alone at her own risk and peril re-commence coining silver. Bi-metallism can only be rehabilitated by the co-operation of all the States, India included. The mischievous monometallism cannot be abandoned without establishing a bi-metallism still more beneficial than the French bi-metallism—universal bi-metallism.

In coming to France to get gold coined in order to take back silver, or silver to take back gold, the nations could not expect the operation to be entirely gratis. It was necessary to pay a small premium on the metal taken away, and to this expense was added the cost of transport and coinage. With universal bi-metallism all these expenses would be saved.

No State being any longer mono-metallic, gold and silver will everywhere circulate simultaneously. France will not be the only bi-metallic dock in the world. Who will ever think any more of offering gold to get silver, or *vice versa*, when the two metals will be everywhere a legal tender at the uniform rate of $15\frac{1}{2}$?

VII.

OBJECTIONS.

1. "The English sovereign will lose in value, its purchasing power will be impaired, if silver is allowed to circulate as an unlimited legal tender."

This is a mistake. If silver could really be driven out of circulation, the value of gold would increase. If silver had never been in circulation, the value of gold would have been, and would be, greater than it is. But silver has always circulated, it has always competed with the value of gold; it still circulates, and the reduction which this rivalry might impose on the value of gold, gold has already fully undergone, it has nothing more to fear. Although silver has not circulated in England, the value of English gold has never escaped the effects

of the competition of silver. The proof of this is that English gold has never been worth more than French gold circulating side by side with silver.

With French bi-metallism the gold sovereign was worth in silver 15½ times its weight, just the same as the franc gold. The case will be the same under universal bi-metallism. The circulation of silver in England will therefore strike no blow at the value of the sovereign.

2. "Breach of faith."

The English creditors have stipulated for payment in gold; if they are paid in silver they are aggrieved. This is a pitiful scruple. They would be aggrieved if a given sum in silver was worth less than the same sum in gold, but they are not if the two sums are exactly equivalent, and universal bi-metallism makes them equivalent.

England has been in turn bi-metallic, silver mono-metallic, again bi-metallic, and lastly gold mono-metallic, without drawing on herself the reproach of having at every change committed a breach of faith. Holland, Belgium, the United States have changed their monetary metal without incurring any blame. The French *rentier* has never troubled himself whether

he would be paid in gold or silver, he has always been indifferent to the colour of the metal. The English fundholder will be so too. English interests, Indian interests, the interests of the whole world, demand this reform, which consists in declaring the coinage of silver free, even in England; and this reform will injure nobody. To reject it there must be good reasons, not mere pretexts or pitiful scruples.

3. "Gold is the money of rich nations—England should have gold money."

This is a prejudice. France, the United States, Holland, Belgium, have alternately had now gold money now silver money, without being alternately more rich or less rich. India had a large amount of gold money at a time when she was poorer than at present with her silver money. Great Britain has been prosperous with gold mono-metallism, but the bi-metallic system would have insured a greater independence to her monetary market, which has always need of exchanging one metal for the other, and bi-metallism would very probably have prevented or mitigated more than one monetary crisis. People defend themselves better with two metals than with one.

4. "Silver is too heavy."

Gold also would be too heavy if one had to carry it in the pocket. But cheques, bank notes, clearings, do away with the transport of the metal, and for small payments a variety of money, "gold, silver, bank notes" is preferable and preferred.

5. "The paying power of gold is very stable, therefore gold money is the best."

The stability of the paying power is in proportion to the stability of production. The production of gold is more irregular than the production of silver, the paying power of gold therefore would *per se* be less stable than that of silver. It is the presence of silver in general circulation, and the gravitation of the French 15½, which preserved the paying power of English sovereigns at the time of the influx of Californian and Australian gold. Irregular the production of gold, irregular the production of silver; but the two irregularities neutralise each other, and the bi-metallic production is very regular. For 24 years the total production of the two metals valued at 15½ represents an almost perfectly uniform annual sum of £33,000,000 sterling. Alone the bi-metallic money is of regular production, and alone the bi-metallic money has stability of value.

6. "Every reform is costly."

Not this; the establishment of the universal 15½ involves no re-coinage. All the coin in actual circulation is retained. This is the very reason why no other ratio must be substituted for the 15½. For England and India the innovation is confined to allowing the free coinage of crowns or double florins, and of gold pieces of 10 or 20 rupees, while continuing the coinage of gold sovereigns and silver rupees.

VIII.

THE IRREVOCABILITY OF THE 15½.

WOULD it not be advisable to agree that the ratio 15½ might be modified after a certain period? No; either the ratio is irrevocable, or bi-metallism cannot stand. If the French law of 1803 had provided that the weight of the franc gold might subsequently be altered, and that the weight of the franc silver alone would remain unalterable, the franc gold would have been discredited, people would have taken the precaution of contracting in franc silver. Compromised in France, French bi-metallism would have had no influence abroad, and the relative value of the two metals would nowhere have had any fixity.

But it is urged, "to guarantee the irrevocability of the 15½, is to guarantee that two merchandises, notwithstanding the law of supply and demand,

will always retain their relative value to each other. It is to guarantee an impossibility." This is still confounding money with merchandise. To speak of merchandise is to speak of competition, supply and demand, purchase and sale, price. To speak of money is nothing of the kind.

Whether he produces little or much, at a profit or at a loss, no miner can ever sell his metal-money either dearer or cheaper than other miners, for the simple reason that the metal-money is not sold or bought, it is itself its price. Neither offered nor demanded, as soon as it issues from the mines the metal enters of full right into circulation, and its paying power will be identical with that of the metal already circulating—with which it proceeds to mix itself. Thus there is no competition, no buying and selling, no price.

Such are the immunities inherent in the monetary metal. Gold and silver alike necessarily enjoy them when the monetary law is bi-metallic. Therefore, no competition possible between the producer of gold and the producer of silver, no purchase and sale, no discount, no price between one metal and the other. Without their being offered, without

143232

their being demanded, the circulation absorbs them both at the legal par, and cannot refuse them. When the monetary law is bi-metallic neither gold nor silver, coined or uncoined, is merchandise. *That is the secret.*

Their colour is different, their weight is different, their production is different—no matter; the paying power of the two currencies being legally identical, no depreciation can befall one metal relatively to the other, and consequently the relation between the weight of the gold coin and that of the silver coin never needs alteration.

Knowing that he could prescribe for perpetuity, the legislator of 1803 took good care not to say that the 15½ should be merely provisional and subject to modification; the 15½ was never modified, and during three-quarters of a century it governed the relative value of gold and silver in the entire world. It will appertain to the International Congress to re-establish it, to declare it universal, and thus to give it absolute stability. This will be a great benefit for all nations.

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